IWC COMMUNICATIONS LIMITED ANNUAL REPORT 1973

Special Note: By Certificate of Amalgamation dated July 1st, 1973, pursuant to the Statutory Amalgamation Provisions of Section 196 of The Business Corporations Act of Ontario the Company amalgamated with Slaight Broadcasting Limited. Supplemental information pertaining to the amalgamation has been included in this report.

DIRECTORS & OFFICERS

DIRECTORS	J. T. EYTON
	R. M. IVEY, Q.C.
	J. J. MacBRIEN
	P. J. NADLER
	G. I. ROSENFELD
	M. M. SINCLAIR
	J. A. SLAIGHT
	L. F. STEVENS, F.C.A.
	G. D. ZIMMERMAN
OFFICERS	J. A. SLAIGHT — *President*
	J. T. EYTON — *Secretary*
	D. C. CLELAND — *Treasurer*
AUDITORS	PRICE WATERHOUSE & CO., *Toronto, Ontario.*
SOLICITORS	TORY, TORY, DESLAURIERS & BINNINGTON, *Toronto, Ontario.*
TRANSFER AGENT	GUARANTY TRUST COMPANY OF CANADA, *Toronto, Ontario.*
STOCK LISTING	TORONTO STOCK EXCHANGE

PRESIDENT'S REPORT

General

In order to enhance the growth prospects of your company, and to accelerate its stated objective of phasing out manufacturing and developing a still more significant role in the communications industry, IWC Communications Limited merged with Slaight Broadcasting Limited on July 1, 1973.

For the time being, the company formed by the amalgamation operates under the name familiar to our shareholders, IWC Communications Limited.

The "new" IWC is a substantial corporation with a wide and growing range of operations in profitable areas of communications. We now wholly own CATV (cable television) systems in Mississauga, Barrie and Orillia in Ontario, as well as major radio stations CFGM, Richmond Hill, immediately north of Metropolitan Toronto; CHOK, Sarnia, Ontario; and 80% of CFOX, Montreal.

Coincident with the July 1 amalgamation, I was appointed to your Board of Directors and named President and Chief Executive Officer of the company. Other directors following the amalgamation are J. Trevor Eyton of Toronto, Secretary of the company; Richard M. Ivey, London; Joseph J. MacBrien, Toronto; Peter J. Nadler, Toronto; Gurston I. Rosenfeld, Toronto; Murray M. Sinclair, Toronto; Lloyd F. Stevens, London; G. Douglas Zimmerman, Nashville, Ontario.

The potential compatibility between radio and cable has long intrigued me, and I feel the marriage of these two media of information and entertainment is a very natural one. The radio sector continues to grow and prosper, and we anticipate increased profitability from this source. In addition, we are convinced that the explosive growth in Canadian CATV has brought that industry to the point where more effective marketing and management techniques can be profitably applied. I am confident that IWC will be afforded the benefit of these techniques through the sales and broadcast management experience and talents of the people now responsible for directing your company.

Your company incurred substantial losses in the fiscal year ended March 31, 1973. This situation was primarily created by the manufacturing and construction operations of IWC, and your new directors and officers have taken corrective measures. Lacal Industries Limited was sold within two weeks of the official amalgamation. Noram Communications, which operates in the systems-installation area, is being critically assessed.

Since the amalgamation occurred subsequent to March 31 but prior to the mailing of this report, we are presenting supplemental information pertaining to the merger in addition to the Consolidated Financial Statements of the former IWC Communications Limited for the fiscal year ended March 31, 1973.

Amalgamation

On July 1, 1973, the Minister of Consumer and Commercial Relations of Ontario issued Articles of Amalgamation giving effect to the amalgamation of your company, IWC Communications Limited, and Slaight Broadcasting Limited in accordance with the Amalgamation Agreement approved at the General Meeting of Shareholders held on February 15, 1973. The Amalgamation Agreement was also subject to the approval of the Canadian Radio-Television Commission (CRTC). This was received on May 22, 1973.

Each former shareholder of the company as of July 1, 1973, became a shareholder of the amalgamated company on the basis of one share for each share previously held. Each shareholder of Slaight Broadcasting Limited received 3.5 shares of the amalgamated company for each share which they previously held in Slaight Broadcasting Limited prior to the amalgamation. The shares are listed on the Toronto Stock Exchange, and your management proposes that they also be listed on the Montreal and Vancouver Stock Exchanges as an additional convenience to its shareholders across the country.

The new fiscal year of the amalgamated company will be August 31 and the first reporting period, on a pooling of interests basis, will cover the five-month period ending August 31, 1973.

Financial

Of the total loss reported for the year ended March 31, 1973, approximately $960,000 relates to our former interest in Lacal Industries. In January, 1973, IWC sold control and approximately 25% of the equity of Lacal Industries to Cegelec Forge and Foundry Inc. on terms which netted IWC $1,176,600 made up of the sale price and current payments to IWC on account of dividends and a redemption of preferred shares. The interest acquired by Cegelec Forge and Foundry Inc. was sold several months later to Allpak Products Limited of London, Ontario, a shareholder of the Company. On July 13, 1973, IWC announced the sale of its remaining interest in Lacal to Allpak Products for $1,023,355, making a total realization from its investment of $2.2 million cash. Provision for loss on disposal to Allpak has been made in the year end accounts.

During the year ended March 31, 1973, Noram Communications reported reduced sales due in part to cutbacks in government support of hospital and school construction programs as well as to unavoidable delays in cable construction contracts. Your new directors and management viewed the losses in this segment of our activities as unacceptable and immediate remedial actions are being taken.

Radio revenues of CHOK, Sarnia, increased approximately 10% during the year, producing a much improved earnings picture.

The Barrie and Orillia cable television systems reported revenues up by 16% and substantial earnings improvement before tax. Your company acquired the remaining 50% ownership interest in these systems in April, 1973 so that both these systems are now wholly owned.

A major capital expansion of our Mississauga cable system, totalling approximately $1,300,000 was completed during the year. Terra subscribers more than doubled to 7,000 at March 31, 1973, and management expects to be servicing more than 10,000 by the Fall of 1973. This system is now generating cash profit before depreciation, and is projected to attain a profitable basis in 1974.

Outlook

IWC has completed its transition from a manufacturing firm to a major member of the Canadian communications industry.

The addition of CFGM and CFOX to the Company means that IWC is one of only two corporations with radio stations in Canada's largest markets: Toronto and Montreal. Both stations feature "modern country music" and their strength in ratings and advertiser acceptance is excellent.

Slaight Broadcasting purchased CFGM in January, 1971 and CFOX in August, 1972. CFGM has become one of the most successful and profitable AM radio stations in Canada. CFOX will generate increased sales and profits in our fiscal year beginning September 1. The station broadcasts in English, but the country music format appeals to French-speaking listeners as well. In addition, CFOX broadcasts a daily, three-hour telephone participation program featuring moderator Gordon Sinclair, Jr. The audience for this program has doubled since last Fall, and continued rating growth is anticipated.

CHOK, Sarnia, is a news-and-information station featuring popular adult music. CHOK enjoys a substantial lead over its major competitor for audience in the Sarnia market. New management has slightly reduced operating costs, and revenue and profits are expected to grow again this year.

Barrie Cable TV and Orillia Cable TV will continue to increase in profitability. Barrie is one of the fastest growing cities in Canada and our cable licence embraces the entire community and beyond its current city limits. Orillia is also expanding, and new subscribers join both systems every month.

Terra Communications will prove to be a large and profitable system. Its cable licence in Mississauga covers more than 20,000 homes and apartments, and this figure is climbing rapidly within the licenced area. Terra is on-target to produce profits in calendar 1974.

Your Company has filed applications for CATV franchises in Sudbury and Timmins in Northern Ontario. All evidence indicates that these communities will react enthusiastically to the opportunity to subscribe to cable television. The CRTC is expected to hear submissions for these licences in November, 1973.

IWC announced on June 7, 1973, completion of an agreement to buy the shares of Q Broadcasting Ltd. held by W. E. Bellman, Vancouver, for $1,644,000. Of this, $894,000 was for the purchase of 35% of the outstanding non-voting Class A shares and $750,000 for 50% of the outstanding voting common shares. This latter agreement is subject to approvals and consents of the Canadian Radio-Television Commission, the various Canadian Securities Commissions and the Toronto and Vancouver Stock Exchanges. Application for approval to the Canadian Radio-Television Commission has been made, and it is expected that the hearing will take place before the end of 1973. Q Broadcasting owns CHQM-AM and CHQM-FM, Vancouver, CKPG-AM and CKPG-TV, Prince George and Q Music, British Columbia's major background music service company.

Vancouver is a radio market unique in Canada. Of six private, English-language AM stations, three feature "talk programming" and two present "Top 40" or "contemporary" music. CHQM-AM is the only station on the dial with music designed to appeal to a broad segment of the adult population. CHQM-FM presents pleasant background music. Both stations have significant audience shares.

CKPG-AM is the established leader in Prince George. There is only one competitive radio station in the market. CKPG-TV is affiliated with the CBC for network programs and is one of only two television signals in the Prince George market.

The future augurs well for your Company. Radio revenues in Canada increase each year, and the Radio Sales Bureau reports Canadians bought nearly 8,500,000 radio receivers in 1972, bettering the record set in 1971 by more than 55%. It estimates that 30,622,000 radios were in operating condition on January 1, 1973. Well-managed stations are invariably profitable while, at the same time, contributing significantly in news and program services to their particular community. The cable industry is expanding and flourishing. Across the country, the average annual growth rate of cable subscribers continued at 20% last year. Increased revenues are anticipated to develop dramatically with the advent of pay television and expanded spectrum service.

The communications industry presents unusual opportunities for corporate growth, and your new directors and management are pushing forward with several projects at this time. We also propose to invest in areas other than radio, television and CATV which we believe to be complementary to the present business of your company and which entail limited risk and significant upward potential.

We thank all employees and directors for their efforts over the past year. Mr. J. G. Torrance, Mr. A. D. Russel and Mr. W. J. Mann who have ably served the Company as directors will not be continuing in such capacity with the amalgamated company. We especially thank them for their many years of consideration and attention to the Company's affairs.

On behalf of your Board of Directors
Allan Slaight, President

SUPPLEMENTAL INFORMATION PERTAINING TO THE AMALGAMATION

By private agreement dated November 15, 1972, which was approved by the shareholders on February 15, 1973 and the Canadian Radio-Television Commission on May 22, 1973, IWC Communications Limited amalgamated with Slaight Broadcasting Limited effective July 1, 1973 by certificate of amalgamation date July 1, 1973, pursuant to the statutory amalgamation provisions of Section 196 of The Business Corporations Act of Ontario. The continuing company created by the amalgamation is to be known as IWC Communications Limited. The amalgamation is to be accounted for as a pooling of interests which results in combining the financial position and results of operations of the predecessor corporations with no excess consideration given the net underlying equity acquired.

The consolidated financial positions of the predecessor corporations and their subsidiaries at March 31, 1973 were as follows:

CONDENSED CONSOLIDATED BALANCE SHEETS AT MARCH 31, 1973 ($000's)

	IWC Communications Limited (audited) (Note 1)	Pro-Forma Slaight Broadcasting Limited (unaudited) (Note 2)	Amalgamated Company (unaudited)
ASSETS			
Current assets	4,060	512	4,572
Fixed assets (net)	2,961	766	3,727
Excess of cost of businesses acquired over net tangible assets	2,301	2,615	4,916
Other	194	165	359
	$9,516	$4,058	$13,574
LIABILITIES			
Current liabilities	2,358	779	3,137
Long-term liabilities	1,149	1,412	2,561
Shareholders' Equity			
Capital stock	3,436	1,450	4,886
Retained earnings	2,573	417	2,990
	6,009	1,867	7,876
	$9,516	$4,058	$13,574

NOTES:

1. The Condensed Consolidated Balance Sheet and Consolidated Statement of Operations and Retained Earnings of IWC Communications Limited should be read in conjunction with the notes to the Consolidated Financial Statements presented in this report and reported on by the Company's auditors.

2. The unaudited pro-forma Consolidated Balance Sheet of Slaight Broadcasting Limited at March 31, 1973 gives effect at that date to the conversion of $1,200,000 non-interest bearing subordinated convertible debentures into 400,000 common shares so that the total issued share capital of Slaight Broadcasting Limited becomes 700,003 shares without par value prior to the amalgamation.

3. After giving effect to the conversion of the debentures referred to in Note 2 and the issuance of one share of the amalgamated corporation for each share held in IWC Communications Limited and 3.5 shares of the amalgamated corporation for each share held in Slaight Broadcasting Limited, the total issued shares of the amalgamated corporation is 4,828,358.

To IWC shareholders	2,378,348 shares
To Slaight shareholders	2,450,010 shares
	4,828,358 shares

SUPPLEMENTAL INFORMATION PERTAINING TO THE AMALGAMATION (Continued)

The consolidated results of operations of the predecessor corporations and their subsidiaries for the year ended March 31, 1973 and March 31, 1972 were as follows:

COMBINED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS ($000's)

	Year Ended March 31, 1973			Year Ended March 31, 1972		
	IWC Communications Limited (audited) (Note 1)	Slaight Broadcasting Limited (unaudited)	Combined (unaudited)	IWC Communications Limited (audited)	Slaight Broadcasting Limited (unaudited)	Combined (unaudited)
Net revenue	3,061	2,179	5,240	3,245	1,523	4,768
Earnings from continued operations before the following	216	755	971	334	609	943
Depreciation and amortization	433	84	517	343	78	421
Interest expense	81	141	222	90	110	200
Pre-control earnings of subsidiaries included above	47	—	47	56	—	56
	561	225	786	489	188	677
Earnings (loss) from continued operations before income tax	(345)	530	185	(155)	421	266
Income tax	55	298	353	22	238	260
Earnings (loss) from continued operations	(400)	232	(168)	(177)	183	6
Loss of Lacal Industries Limited	397	—	397	18	—	18
Provision for loss on disposal of shares of Lacal Industries Limited	563	—	563	—	—	—
	960	—	960	18	—	18
Net earnings (loss) for the year	(1,360)	232	(1,128)	(195)	183	(12)
Retained earnings at beginning of year	3,933	185	4,118	4,128	2	4,130
Retained earnings at end of year	$2,573	$ 417	$2,990	$3,933	$ 185	$4,118

IWC COMMUNICATIONS LIMITED and subsidiary companies

CONSOLIDATED BALANCE SHEET

ASSETS

	March 31 1973	March 31 1972
CURRENT ASSETS:		
Cash including bank deposit certificates	$1,225,280	$ 409,796
Marketable investments at cost less in 1973 provision for loss on realization of $33,625 (1972 market value $631,750)	625,250	658,875
Shares of Lacal Industries Limited (Note 2)	1,023,355	—
Accounts receivable	824,051	1,340,315
Inventories (Note 3)	329,006	2,067,881
Deposits and prepaid expenses	33,243	200,562
	4,060,185	4,677,429
INVESTMENT IN 50% OWNED COMPANIES (Note 2)	—	476,924
FIXED ASSETS, AT COST (Note 4):	4,472,294	4,927,598
Less: Accumulated depreciation	1,511,201	2,131,350
	2,961,093	2,796,248
OTHER ASSETS:		
Excess of cost of businesses acquired over net tangible assets (Note 5)	2,301,096	1,045,025
Deferred charges (Note 6)	116,566	154,680
Deferred income taxes	65,000	39,200
Other	11,562	22,792
	2,494,224	1,261,697
	$9,515,502	$9,212,298

APPROVED ON BEHALF OF THE BOARD:

G. D. Zimmerman, Director

L. F. Stevens, Director

LIABILITIES

	March 31 1973	March 31 1972
CURRENT LIABILITIES:		
Bank advances (partly secured by receivables)	$ 465,642	$ 695,300
Accounts payable and accrued liabilities	542,115	747,020
Amount payable on purchase of subsidiary companies (Note 2)	862,000	—
Income and other taxes payable	44,816	41,749
Current instalments on long-term liabilities	300,227	91,459
Prepayments by cable television customers	143,397	27,972
	2,358,197	1,603,500
LONG-TERM LIABILITIES (Note 7)	1,148,608	275,930

SHAREHOLDERS' EQUITY

	1973	1972
CAPITAL STOCK (Notes 8 and 13):		
Common shares, no par value — Authorized — 4,000,000 shares Issued — 2,378,348 shares, 1972 — 2,364,548 shares	3,435,584	3,399,482
RETAINED EARNINGS	2,573,113	3,933,386
	6,008,697	7,332,868
	$9,515,502	$9,212,298

IWC COMMUNICATIONS LIMITED and subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	Year ended March 31 1973	1972
Source of funds:		
Loss from continued operations	$ (400,530)	$ (195,028)
Charges (credits) not affecting working capital —		
Depreciation	394,955	465,036
Amortization	38,114	39,997
Deferred income taxes	6,700	(21,050)
Pre-control earnings of subsidiary companies	47,208	18,807
Funds from continued operations	86,447	307,762
Disposal of shares of Lacal Industries Limited net of working capital	564,348	—
Increase in long-term liabilities	614,909	—
Proceeds from issue of capital stock	36,102	—
Reduction in other assets, net	11,230	4,666
	1,313,036	312,428
Application of funds:		
Purchase price of remaining 50% of Barrie and Orillia cable companies and working capital deficiencies assumed	1,083,755	—
Additions to fixed assets, net	1,601,222	364,293
Decrease in long-term liabilities	—	596,105
Reduction of minority interest	—	23,400
	2,684,977	983,798
Decrease in working capital	1,371,941	671,370
Working capital at beginning of year	3,073,929	3,745,299
Working capital at end of year	$1,701,988	$3,073,929

IWC COMMUNICATIONS LIMITED and subsidiary companies

CONSOLIDATED STATEMENT OF OPERATIONS AND RETAINED EARNINGS

	Year ended March 31		
	1973	1972 (restated) (Note 2)	1972 (as previously reported)
Net sales and operating revenue	$3,022,924	$3,130,693	$7,348,882
Investment income	37,875	114,458	204,651
	3,060,799	3,245,151	7,553,533
Cost of sales and operating expenses except items noted below	2,845,534	2,911,586	7,187,539
Depreciation	394,955	303,358	465,036
Amortization of deferred charges	38,114	39,997	39,997
Interest expense (Note 7)	80,711	89,516	77,039
Income tax provision (recovery)	54,807	21,776	(21,050)
	3,414,121	3,366,233	7,748,561
	353,322	121,082	195,028
Adjustment for pre-control earnings of subsidiary companies included above (Note 2)	47,208	56,193	—
Loss from continued operations	400,530	177,275	195,028
Net loss of Lacal Industries Limited (Note 2)	397,226	17,753	—
Loss before extraordinary item	797,756	195,028	195,028
Provision for loss on disposal of shares of Lacal Industries Limited (Note 2)	562,517	—	—
Net loss for the year	1,360,273	195,028	195,028
Retained earnings at beginning of year	3,933,386	4,128,414	4,128,414
Retained earnings at end of year	$2,573,113	$3,933,386	$3,933,386

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS MARCH 31, 1973

1. CHANGE OF COMPANY NAME:

By certificate of amendment of articles dated September 7, 1972 the name of the Company was changed from IWC Industries Limited to IWC Communications Limited.

2. PRINCIPLES OF CONSOLIDATION:

The consolidated balance sheet at March 31, 1973 includes the assets and liabilities of IWC Communications Limited and its subsidiary companies Noram Communications Limited, Terra Communications Limited, Sarnia Broadcasting (1964) Limited, Barrie Cable TV Limited and Orillia Cable TV Limited.

The half-interest in the Barrie and Orillia companies not previously owned by IWC was acquired for $862,000 cash under an agreement dated November 14, 1972 and closed on April 16, 1973 following the necessary approval by the Canadian Radio-Television Commission. The liability for this purchase has been reflected in the accounts at March 31, 1973. The book value of the net assets of Barrie and Orillia included in the consolidated balance sheet at March 31, 1973 was $114,061, or $1,256,071 less than the total cost of acquisition of 100% of the shares in the two companies. The amount of this difference has been added to excess of cost of businesses acquired over net tangible assets in the consolidated balance sheet. At March 31, 1972 the 50% interest in Barrie and Orillia was carried as an investment at cost plus share of undistributed earnings since acquisition.

The consolidated statement of earnings and retained earnings for the year ended March 31, 1973 includes the operating results of Barrie and Orillia as though they became subsidiaries at the beginning of the year, with a deduction for the preacquisition earnings applicable to the shares acquired by IWC in 1973; the restated amounts for the previous year have been presented on the same basis. Operating results of Barrie and Orillia were previously reported on the equity method of accounting.

In January 1973 IWC sold a controlling interest in Lacal Industries Limited, formerly a wholly-owned subsidiary. In July 1973 IWC disposed of the balance of its shareholdings for $1,023,355 cash to Allpak Products Limited, a shareholder of IWC. These transactions resulted in a loss of $562,517 which has been provided for as an extraordinary item in the consolidated statement of earnings and retained earnings for the year ended March 31, 1973.

In view of the disposal of Lacal Industries Limited its operating results for the nine months ended December 31, 1972 are presented separately as a single amount in the consolidated statement of earnings and retained earnings for the year ended March 31, 1973 and in the restated figures for the 1972 fiscal year. Operating results of Lacal were previously consolidated along with those of other subsidiary companies. The results of Lacal were as follows:

	Nine months ended December 31, 1972	Year ended March 31, 1972
Sales	$3,354,232	$4,670,602
Loss before income taxes	429,726	33,253
Deferred income taxes	(32,500)	(15,500)
Net loss	397,226	17,753
Depreciation charged in period	200,600	271,114

3. INVENTORIES:

	March 31 1973	March 31 1972
Raw materials and supplies	$ 5,969	$ 219,833
Work in process and uncompleted contracts	24,062	839,190
Finished goods	298,975	1,008,858
	$329,006	$2,067,881

Raw materials and supplies are valued at the lower of cost and replacement cost.

Finished goods, work in process and uncompleted contracts are valued at the lower of cost and net realizable value.

Profits on uncompleted contracts are recorded on the percentage of completion method.

4. FIXED ASSETS:

	March 31 1973	March 31 1972
Land	$ 35,407	$ 48,064
Buildings	36,868	681,943
Equipment and vehicles	416,217	2,638,620
CATV and radio plant	3,738,351	1,157,691
Other	245,451	401,280
	$4,472,294	$4,927,598

5. EXCESS OF COST OF BUSINESSES ACQUIRED OVER NET TANGIBLE ASSETS:

The excess of cost of investments in subsidiary companies over net tangible assets acquired is not being amortized. In the opinion of the directors there has been no diminution in the aggregate value of these investments.

6. DEFERRED CHARGES:

The costs incurred in developing a cable television system are being amortized over a five-year period to 1976.

7. LONG-TERM LIABILITIES:

	Due within one year	Due after one year
Bank term loans —		
Payable over five years beginning in 1974, interest at 1½% above prime bank rate	$100,000	$ 700,000

Payable $50,000 annually beginning in 1974, interest at 1% above prime bank rate	50,000	150,000
Promissory notes —		
6¾% note payable $60,000 annually	60,000	60,000
6¾% note payable $3,727 annually	3,727	3,727
Notes payable $7,040 monthly, interest at 1% above prime bank rate	84,500	225,334
Other	2,000	9,547
	$300,227	$1,148,608

Repayments on long-term liabilities for the next five years are as follows: 1974 — $300,227; 1975 — $400,377; 1976 — $336,800; 1977 — $408,784; 1978 — $2,647.

Interest on long-term indebtedness amounted to $76,680 for the year ended March 31, 1973 of which $28,390 was capitalized as financing costs of fixed asset construction. Interest expense on long-term indebtedness for the year ended March 31, 1972 was $24,353 as previously reported and $47,059 as restated.

8. CAPITAL STOCK:

By certificate of amendment of articles dated September 7, 1972, the authorized capital of the Company was reduced by the cancellation of the 31,946 unissued cumulative redeemable non-voting preference shares.

During the year ended March 31, 1973 there were 13,800 common shares issued for $36,102 cash on exercise of options.

Of the authorized and unissued common shares 71,400 are reserved for options granted to employees and officers as follows; 18,000 shares at $3.27 per share, 10,000 shares at $4.79 per share, 21,400 shares at $2.59 per share, 12,000 shares at $1.35 per share, and 10,000 shares at $2.47 per share. The options are exercisable as to 42,400 shares in 1973, 12,000 in 1974, 10,000 in 1975, 5,000 shares in 1976 and 2,000 shares in 1977.

9. NET SALES BY CLASS OF BUSINESS:

The consolidated net sales were divided among classes of business as follows:

	Year ended March 31		
	1973	1972 (restated)	1972 (previously reported)
Communication equipment and related products	51	62	28
Cable television and radio broadcasting	49	38	8
Power transmission accessories	—	—	64
	100%	100%	100%

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

Remuneration of directors and senior officers (as defined by the Business Corporations Act, Ontario) for the year ended March 31, 1973 amounted to $102,895 (1972 — $99,690).

11. LOSS PER SHARE:

The loss per common share based on the weighted monthly average number of shares outstanding during the respective fiscal years are as follows:

	Year ended March 31		
	1973	1972 (restated)	1972 (previously reported)
Continued operations	17¢	7¢	8¢
Lacal Industries Limited	17¢	1¢	—
	34¢	8¢	8¢
Extraordinary item	23¢	—	—
	57¢	8¢	8¢

12. INCOME TAXES:

Certain companies have incurred losses which may be used to reduce provisions for income taxes of future years; at March 31, 1973 such losses were estimated to be approximately $573,000.

13. AMALGAMATION WITH SLAIGHT BROADCASTING LIMITED:

By certificate of amalgamation dated July 1, 1973 issued pursuant to the statutory amalgamation provisions of The Business Corporations Act of Ontario, IWC Communications Limited amalgamated with Slaight Broadcasting Limited; the name of the continuing company is IWC Communications Limited. The authorized capital of the amalgamated company is divided into 10,000,000 common shares without par value, of which 4,828,358 common shares are issued and outstanding, as follows:

One share for each share of IWC Communications Limited	2,378,348 shares
3½ shares for each share of Slaight Broadcasting Limited	2,450,010 shares

The audited financial statements of Slaight at August 31, 1972 indicated that shareholders equity was $589,941 as at that date and net income for the year then ended was $295,893.

AUDITORS' REPORT

To the Shareholders of
IWC Communications Limited:

We have examined the consolidated balance sheet of IWC Communications Limited and subsidiary companies as at March 31, 1973 and the consolidated statements of operations and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1973 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario	PRICE WATERHOUSE & CO.
July 13, 1973	Chartered Accountants

IWC COMMUNICATIONS LIMITED

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ANNUAL REPORT

FIVE MONTHS ENDED
AUGUST 31, 1973

DIRECTORS & OFFICERS

DIRECTORS	J. T. EYTON R. M. IVEY, Q.C. J. J. MacBRIEN P. J. NADLER, C.A. G. I. ROSENFELD M. M. SINCLAIR J. A. SLAIGHT L. F. STEVENS, F.C.A. G. D. ZIMMERMAN
OFFICERS	J. A. SLAIGHT — *President* L. HALPERT, C.A. — *Vice-President, Finance & Treasurer* J. T. EYTON — *Secretary*
AUDITORS	CLARKSON, GORDON & CO., *Toronto. Ontario*
SOLICITORS	TORY, TORY, DESLAURIERS & BINNINGTON, *Toronto, Ontario*
TRANSFER AGENT	GUARANTY TRUST COMPANY OF CANADA, *Toronto, Ontario*
STOCK LISTING	TORONTO STOCK EXCHANGE
SUBSIDIARIES	CFGM BROADCASTING LIMITED RADIO CFOX, INC. SARNIA BROADCASTING (1964) LIMITED BARRIE CABLE TV LIMITED ORILLIA CABLE TV LIMITED TERRA COMMUNICATIONS LIMITED

PRESIDENT'S REPORT

General

This report to IWC shareholders covers the five months ended August 31, 1973, during which your company completed the transition from a manufacturing firm to a significant member of the Canadian communications industry.

It is apparent from a review of the report that the transition had significant costs, including particularly a total loss of $722,000 relating to Noram Communications Limited as detailed below. In result, the difficult problems affecting IWC over the last several years have been resolved and IWC has emerged as a new entity owning three AM radio stations and three cable systems.

Financial

The attached statements are prepared on a pooling-of-interests basis reflecting the merger on July 1 of IWC and Slaight Broadcasting Limited, and establish the new August 31 fiscal year-end.

The financial results for the five-month period ended August 31, 1973 embrace major corporate changes which will extricate the company from the continuing burden of significant expenses:

1. Noram Communications Limited — Effective November 1, 1973, we reached an agreement to sell Noram to Beaver Electronics Limited and have provided for a loss on disposal of $585,000 as an extraordinary item after incurring an operating loss of $137,000 for the 5 month period for a total of $722,000.

2. Other — We have written off costs relating to a reorganization of the company's management and financing of $277,000.

Our radio division at this time consists of CFGM in the Toronto market, CFOX, Montreal and CHOK, Sarnia. The annualized percentage increase in our radio revenues, which have been seasonally adjusted, is approximately 15%. Combined cable revenues for Terra in Mississauga, Barrie Cable TV and Orillia Cable TV have increased by more than 25%. Expenses have also increased in each division but many of the costs of the cable operations, in particular, are fixed in nature. Relatively higher operating expenses were reported by Terra in the current period; however, its costs are being substantially reduced and new management at Terra expects this company to be operating on a profitable basis in 1974.

Outlook

We submit this report to our shareholders at an unusual time, both in your company's evolution and according to the economic indicators currently available to us in Canada. As IWC makes the transition from manufacturing to communications, and as our individual CATV and radio divisions gain strength, financial analysts report factors from here and abroad which give cause for concern. However, as we enter 1974, we feel optimistic about our sectors of the communications business. Cable revenues should continue to climb despite any downturns in the rest of the economy, and at our CATV systems in Mississauga, Barrie and Orillia we believe the advent of the new Global network should generate new subscribers who are unable to receive the Global transmissions on standard TV sets without cable.

Radio revenues often rise during a negative economy as advertisers find it necessary to cut total advertising expenditures while at the same time keeping their name and their products before the public. Radio's cost efficiencies prove attractive at such times and Canada's Radio Sales Bureau is predicting "a fairly good year" in 1974. Preliminary reports indicate that national radio advertising in Canada in calendar 1973 was about even with 1972, and the RSB is projecting an increase in 1974. The Canadian television industry recorded a strong 18% increase in advertising revenues in 1973 over 1972. The Television Bureau is forecasting 1974 sales increases in the range of 12-14%.

On February 5th, IWC management is scheduled to appear before members of the Canadian Radio-Television Commission in Ottawa to request approval to purchase control of Bushnell Communications Limited of that city from Western Broadcast Holdings Ltd. IWC has agreed to acquire 894,802 Bushnell common shares, representing approximately 52% of its issued capital, in a transaction valued at more than $12-million. The agreement provides that IWC will pay approximately $9.9-million cash upon closing and issue to Western a $2.25-million income debenture. The company intends to provide the cash for the transaction, if approved by the CRTC, by approximately $7-million in bank borrowings and by offering the shareholders of IWC the right to subscribe for $2.5-million of additional shares in the corporation. Certain of our larger shareholders have agreed to support the rights offering to insure that the company will receive the full amount required from this source. The Bushnell shares must be sold by Weston under terms of a divestiture order by the CRTC in November, 1972.

A few weeks ago, your company successfully renego-

tiated certain aspects of our purchase contract with Western and obtained significant extensions of repayment terms of the income debenture which will result in a cash saving in the first three years following closing of nearly $900,000. In addition, Western agreed to cancel 600,000 IWC warrants which had been a part of the original financing package. We consider these changes of major value to our company.

Bushnell owns and operates CJOH-TV, Ottawa, which also rebroadcasts into Cornwall and the Kingston-Belleville areas, and boasts one of the largest television audiences in Canada. It is affiliated with the CTV network. In addition, Bushnell owns 100% of Carleton Productions Limited of Ottawa and VTR Productions Limited of Toronto. At this time, through these facilities, the company is involved in the production of eleven programs for the CTV and Global networks including "Kreskin" and "Anything You Can Do" for CTV, and Global's "The Braden Beat", Pierre Berton's "Great Debate" and the five-nights-a-week variety show "Everything Goes".

Bushnell also has substantial cable television interests through Laurentian Cablevision Limited of Hull and Skyline Cablevision of Ottawa, and owns Jarlaw Investments Limited, a real estate holding company with valuable property in central Ottawa. In its last annual report to August 31, 1973, Bushnell earned 67¢ per share on net earnings of nearly $1.2-million. This was an increase from 42¢ per share or net earnings of $730,000 in the previous fiscal year. Bushnell's first quarter results for the current fiscal year again registered increased earnings.

At year-end, an agreement to purchase a substantial position in Q Broadcasting Limited from W. E. Bellman of Vancouver expired while we pushed forward with the Bushnell transaction which we consider to be more advantageous for our shareholders at this time. With ample proof of financing capability and no apparent conflicts in media holdings, we naturally hope for a favourable decision from the CRTC in early March.

In November, executives of your company appeared before the Canadian Radio-Television Commission in Sudbury to apply for CATV franchises in Sudbury and Timmins, Ontario. A total of seven applications were heard for Sudbury and five for Timmins. There has been no indication from the CRTC when their decisions will be published.

Your new management has made personnel changes as part of our major corporate reorganization and we begin 1974 with enthusiasm and confidence. IWC will show a profit in the first quarter of our new fiscal year for the first time since 1971. We thank our shareholders for their interest and support, and acknowledge with appreciation the excellent contribution of the dedicated staffs at our six broadcast companies.

On behalf of your Board of Directors
Allan Slaight, President

IWC COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS

	Five months ended August 31, 1973	Year ended March 31, 1973 (Restated — note 2)
Net sales and other operating revenue	$ 1,845,445	$ 3,629,965
Cost of sales and operating expenses except items noted below	1,320,619	2,597,513
Depreciation	193,685	415,764
Amortization of deferred development costs (Note 6)	15,994	38,114
Interest expense (Note 7)	117,714	202,994
Other income	(49,833)	(95,943)
	1,598,179	3,158,442
Income before the undernoted	247,266	471,523
Income taxes	215,746	352,807
Income before the following	31,520	118,716
Adjustment for pre-control earnings of subsidiary corporations (Note 2 (c))		47,208
Income from continuing operations	31,520	71,508
Loss from discontinued operations (Note 2(c))	(137,334)	(637,667)
Loss before extraordinary items	(105,814)	(566,159)
Extraordinary items:		
Provision for loss on disposal of investments in certain subsidiary corporations (Note 3)	585,176	562,517
Reorganization and other costs relating to amalgamation (Note 9)	277,217	
	862,393	562,517
Net loss for the period	$ (968,207)	$ (1,128,676)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of period	$ 2,989,959	$ 4,118,635
Net loss for the period	(968,207)	(1,128,676)
Share issue costs of a predecessor corporation (Note 1)	(41,334)	
Retained earnings at end of period	$ 1,980,418	$ 2,989,959

See accompanying notes

IWC COMMUNICATIONS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Five months ended August 31, 1973	Year ended March 31, 1973 (Restated — note 2)
Source of funds:		
Income from continuing operations	$ 31,520	$ 71,508
Charges not affecting working capital —		
Depreciation	193,685	415,764
Amortization	15,994	43,774
Deferred income taxes	10,000	4,700
Pre-control earnings of subsidiaries		47,208
Funds from continuing operations	251,199	582,954
Disposal of shares of Lacal Industries Limited, net of working capital		564,348
Increase in long-term liabilities		947,516
Proceeds from issue of capital stock		36,102
	251,199	2,130,920
Application of funds:		
Operating losses of Noram Communications Limited, and working capital loss on disposal of that corporation (Note 3)	374,739	183,365
Reorganization and other costs relating to amalgamation, net of long-term portion	150,780	
Additions to fixed assets	232,850	1.723,307
Reduction of long-term liabilities	873,115	
Purchase price of additional interest in subsidiaries, and working capital deficiencies assumed		1,899,606
Increase in other assets, net	21,294	1,830
	1,652,778	3,808,108
Decrease in working capital	1,401,579	1,677,188
Working capital at beginning of period	1,435,369	3,112,557
Working capital at end of period	$ 33,790	$ 1,435,369
Working capital represented by:		
Current assets	$ 1,630,108	$ 4,572,610
Less current liabilities	1,596,318	3,137,241
	$ 33,790	$ 1,435,369

See accompanying notes

IWC COMMUNICATIONS LIMITED
(Incorporated under the laws of Ontario — note 1)

CONSOLIDATED BALANCE SHEET

ASSETS

	August 31, 1973	March 31, 1973 (Restated — note 2)
CURRENT:		
Cash including bank deposit certificates	$ 818,276	$ 1,248,182
Marketable securities at cost less provision for loss on realization		625,250
Accounts receivable	740,535	1,272,363
Inventories at lower of cost and net realizable value		329,006
Deposits, prepaid expenses and other current assets	71,297	74,454
Shares of Lacal Industries Limited (Note 3)		1,023,355
	1,630,108	4,572,610
INVESTMENT IN SHARES OF, AND ADVANCES TO, NORAM COMMUNICATIONS LIMITED (Note 3)	200,000	
FIXED, AT COST (Note 4)	5,331,597	5,583,249
Less accumulated depreciation	1,799,320	1,855,914
	3,532,277	3,727,335
OTHER:		
Excess of purchase price of shares and assets of consolidated subsidiaries over estimated fair value of net tangible assets acquired at dates of acquisition (Note 2 (b))	4,692,461	4,916,447
Mortgage receivable (Note 5)	125,277	125,277
Deferred development costs (Note 6)	100,572	116,566
Sundry other assets	76,528	131,967
	4,994,838	5,290,257
	$10,357,223	$13,590,202

See accompanying notes

LIABILITIES

	August 31, 1973	March 31, 1973 (Restated — note 2)
CURRENT:		
Operating bank indebtedness (Note 7)	$ 370,762	$ 715,642
Accounts payable and accrued liabilities	383,482	702,657
Amount payable on purchase of subsidiary corporations		862,000
Income and other taxes payable	153,201	79,568
Prepayments by cable television subscribers	149,959	143,397
Principal amounts on long-term liabilities due within one year	538,914	633,977
	1,596,318	3,137,241
LONG-TERM LIABILITIES (Note 7)	1,793,100	2,561,215
DEFERRED INCOME TAXES	101,800	16,200

SHAREHOLDERS' EQUITY

CAPITAL (Notes 1 and 8) —		
Authorized:		
10,000,000 shares without par value		
Issued:		
4,828,358 shares	4,885,587	4,885,587
RETAINED EARNINGS	1,980,418	2,989,959
	6,866,005	7,875,546
	$10,357,223	$13,590,202

On behalf of the Board:

J. A. Slaight, Director

J. T. Eyton, Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

August 31, 1973

1. AMALGAMATION ON JULY 1, 1973

By certificate of amalgamation dated July 1, 1973, IWC Communications Limited ("IWC") amalgamated with Slaight Broadcasting Limited ("Slaight"). The amalgamated corporation continues under the name IWC Communications Limited.

The authorized capital of the amalgamated corporation is divided into 10,000,000 shares without par value. In accordance with the terms of the amalgamation agreement between the corporations, the following shares were issued on amalgamation:

	Number of shares	%
One share for each outstanding share of IWC Communications Limited	2,378,348	49.3
Three and one-half shares for each outstanding share of Slaight Broadcasting Limited	2,450,010	50.7
	4,828,358	100.0%

The consolidated financial positions of the predecessor corporations and their subsidiaries, based on figures at March 31, 1973, were as follows (in $000's):

	IWC	Slaight (proforma)*	Amalgamated corporation
Assets:			
Current	$4,060	$ 512	$ 4,572
Fixed (net)	2,961	766	3,727
Excess of cost of businesses acquired over net tangible assets	2,301	2,615	4,916
Other	129	246	375
	$9,451	$4,139	$13,590
Liabilities:			
Current	$2,358	$ 779	$ 3,137
Long-term	1,149	1,412	2,561
Deferred income taxes	<65>	81	16
Shareholders' equity —			
Capital	3,436	1,450	4,886
Retained earnings	2,573	417	2,990
	6,009	1,867	7,876
	$9,451	$4,139	$13,590

*After giving effect to the conversion in June, 1973, prior to the amalgamation, of $1,200,000 non-interest bearing subordinated convertible debentures of Slaight Broadcasting Limited into 400,000 shares of that company, the related expenses of which ($41,334) have been charged to retained earnings.

The consolidated results of operations of the predecessor corporations and their subsidiaries for the years ended March 31, 1973 and 1972 were as follows (in $000's):

	Year ended March 31, 1973			Year ended March 31, 1972		
	IWC*	Slaight	Amalgamated corporation	IWC*	Slaight	Amalgamated corporation
Net revenue	$ 1,463	$2,167	$ 3,630	$1,049	$1,523	$2,752
Income (loss) before the undernoted	$ (58)	530	472	75	421	496
Income taxes	55	298	353	22	238	260
Adjustment for pre-control earnings of subisidiaries	47		47	56		56
Income (loss) from continuing operations	(160)	232	72	(3)	183	180
Loss from discontinued operations	638		638	192		192
Income (loss) before extraordinary items	(798)	232	(566)	(195)	183	(12)
Extraordinary items	563		563			
Net income (loss) for the year	$(1.361)	$ 232	$(1,129)	$ (195)	$ 183	$ (12)

*Restated on the basis described in Note 2(c).

2. PRINCIPLES OF CONSOLIDATION

The following principles of consolidation have been followed in preparing these consolidated financial statements:

(a) Pooling of interests —
The amalgamation referred to in note 1 has been accounted for as a pooling of interests. Assets, liabilities and shareholders' equity of the predecessor corporations have been carried forward at their book values. The results of operations for the five months ended August 31, 1973 include the results of operations of the predecessor corporations during the period prior to the amalgamation, and of the amalgamated corporation subsequent thereto. The comparative figures for the year ended March 31, 1973 have been restated to give effect retroactively to the pooling of interests, and reflect the position that would have prevailed had the predecessor corporations been combined during such year.

(b) Consolidated balance sheet —
The consolidated balance sheet at August 31, 1973 includes the assets and liabilities of the amalgamated corporation, of six wholly-owned subsidiary corporations (CFGM Broadcasting Limited, Sarnia Broadcasting (1964) Limited, Terra Communications Limited, Barrie Cable TV Limited, Orillia Cable TV Limited, and Suburban York Sales Limited (which is in the process of wind-up)), and of the 80% owned subsidiary Radio CFOX, Inc. The consolidated balance sheet at August 31, 1973 does not include the assets and liabilities of the wholly-owned subsidiary Noram Communications Limited, which was consolidated at March 31,1973, but which is now being disposed of (see note 3 below).

The accounts of the subsidiaries are included in the consolidation on the purchase basis of accounting, and the excess of the purchase price of the shares and assets of such subsidiaries over the value assigned to net tangible assets at dates of acquisition (also considered to be the estimated fair value of such net tangible assets) is included with other assets in the accompanying consolidated balance sheet. The corporation's policy is not to amortize this excess so long as there is no evidence of impairment in value of the subsidiary corporations.

(c) Consolidated statement of operations —
The consolidated statement of operations includes the results of operations of the amalgamated corporation, pooled retroactively, as noted above, and the following with respect to the subsidiary corporations:

— the results of operations of the two subsidiaries whose operations are being, or have been, disposed of are included as a single amount in the statement of operations to the dates indicated; for Lacal Industries Limited ("Lacal"), December 31, 1972 (the date as of which control was sold); and for Noram Communications Limited ("Noram"), August 31, 1973 (see note 3 below).

— the results of operations of the remaining subsidiaries are fully consolidated for the year ended March 31, 1973, and for the five months ended August 31, 1973. The pre-control interest (50%) of other parties in the earnings of the Barrie and Orillia corporations, which interest was purchased by IWC in the 1973 fiscal year, is shown separately in the consolidated statement of operations.

The figures for the March 31, 1973 fiscal year in the consolidated statement of operations have been restated retroactively to reflect the above presentation for the results of Noram, whose results were fully consolidated in the figures previously reported for the March 31, 1973 year.

The results of operations of Noram and Lacal were as follows during the periods covered by these consolidated financial statements:

	Noram		Lacal
	Five months ended August 31, 1973	Year ended March 31, 1973	Nine months ended December 31, 1972
Sales (including intercompany)	$ 768,890	$2,380,286	$3,354,232
Loss before income taxes	(137,334)	(240,441)	(429,726)
Deferred income taxes			32,500
Net loss	(137,334)	(240,441)	(397,226)
Depreciation charges in period	29,880	57,075	200,600

3. INVESTMENT IN CERTAIN SUBSIDIARY CORPORATIONS

The corporation is in the process of disposing of its interest in its wholly-owned subsidiary Noram Communications Limited. As indicated in note 2(c), the results of operations of the subsidiary are included in the consolidated statement of operations only to August 31, 1973. Provision has been made as an extraordinary item in the statement of operations for the estimated loss ($585,176) on disposal of the subsidiary, including the estimated operating losses that will be incurred during the disposal period, and the costs of disposal, warranties assumed on sale, and other costs.

The corporation's investment in the shares of, and advances to, Noram is reflected in the accompanying balance sheet at cost, less provision for its accumulated operating losses and for loss of disposal.

The extraordinary item reflected in the March, 1973 fiscal year is a provision for loss on disposal of the investment in the wholly-owned subsidiary Lacal Industries Limited, which investment was disposed of in part during that year, and as to the balance in July, 1973. The carrying value of such investment in the March 31, 1973 balance sheet represents the proceeds on final disposal received in July, 1973.

4. FIXED ASSETS

The cost of the fixed assets as set out in the accompanying consolidated balance sheet is comprised as follows:

	August 31, 1973	March 31, 1973
Land	$ 421,568	$ 349,068
Buildings	57,243	57,889
Equipment and vehicles	247,777	425,946
CATV and radio plant	4,471,944	4,438,853
Other	133,065	311,493
	$5,331,597	$5,583,249

5. MORTGAGE RECEIVABLE

The mortgage receivable bears interest at 7½% per annum, is due in blended instalments of principal and interest of $12,000 annually, and matures on September 30, 1974.

6. DEFERRED DEVELOPMENT COSTS

Costs totalling $210,587 relating to the initial development of the original cable system in the subsidiary corporation Terra Communications Limited are being amortized over a five year period from April 1, 1971. Similar costs relating to the expansion of the cable system in the same geographic area are being charged against operations as incurred.

7. LONG-TERM LIABILITIES

Details of long-term liabilities are as follows:

	August 31, 1973	March 31, 1973
Parent corporation:		
Term bank loan, interest at 1¾% above the prime rate, payable $32,500 quarterly over five years commencing August 31, 1973	$ 617,500	$ 650,000
6¾% promissory note payable in annual instalments of $60,000	60,000	120,000
Provision for settlement costs under employment contracts, payable over five years	172,000	
6¾% promissory note	7,454	7,454
8½% First Mortgage Income Bonds Series A (repaid July, 1973)		880,000
8½% income notes (repaid July, 1973)		100,000
	856,954	1,757,454
Subsidiary corporations:		
Term bank loan, interest at 1½% above the prime rate, payable over 4 years commencing in 1974	800,000	800,000
Term bank loan, interest at 1% above prime rate, payable $50,000 annually commencing in 1974	200,000	200,000
Promissory notes at 1% above the prime rate payable in monthly instalments of $7,040	274,625	309,834
7½% first mortgage payable over 4 years secured by land owned by a subsidiary	87,500	100,000
8% first mortgage secured by land owned by a subsidiary payable in annual instalments of $10,000 and maturing August 14, 1976	57,500	
Other (mainly mortgages bearing interest at 7% to 10%, due by 1978)	55,435	27,904
	1,475,060	1,437,738
Total long-term liabilities	2,332,014	3,195,192
Less principal amounts due within one year	538,914	633,977
	$1,793,100	$2,561,215

The parent corporation's term bank loans and certain operating bank loans are secured by the assignment of accounts receivable of the corporation and of certain subsidiaries, by guarantees of such subsidiaries, and by hypothecation of a debenture and shares of one of the subsidiaries.

The payments required in each of the next five years to repay the long-term liabilities are as follows:

1974 — $538,914
1975 — $554,824
1976 — $562,888
1977 — $559,544
1978 — $115,844

Interest on long-term liabilities amounted to $143,148 for the five months ended August 31, 1973, of which $41,106 is included as an extraordinary item (note 9). Interest expense on long-term liabilities for the year ended March 31, 1973 was $206,600, including $28,390 which was capitalized as financing costs of fixed asset construction.

8. SHARE OPTIONS AND WARRANTS

(a) A total of 59,000 shares of the corporation are reserved under options granted to employees and officers at the following prices:

18,000 shares at $3.27 per share;
12,000 shares at $1.35 per share;
10,000 shares at $4.79 per share;
10,000 shares at $2.47 per share;
9,000 shares at $2.59 per share;

The options are exercisable as to 36,400 shares in 1973 10,800 in 1974, 5,800 in 1975, 4,000 in 1976 and 2,000 shares in 1977.

(b) The minority shareholders of Radio CFOX, Inc. have the right to exchange their shares of CFOX for warrants to purchase 43,000 shares of the amalgamated corporation for a period fo five years from July, 1973 at $3.50 per share.

9. REORGANIZATION AND OTHER COSTS RELATING TO AMALGAMATION

The details of the reorganization and other costs relating to the amalgamation are as follows:

Negotiated special interest payment prior to early retirement of income bonds	$ 41,106
Deferred financing costs written off on early retirement of income bonds and notes, net of related deferred income tax credits of $1,150	21,437
Provision for settlement costs under employment contracts	180,000
Legal and other costs, net of related income tax credits of $3,100	34,674
	$277,217

10. LOSS PER SHARE

The earnings (losses) per common share based on the weighted monthly average number of shares outstanding during the respective fiscal periods are as follows:

	Five months ended August 31, 1973*	Year ended March 31, 1973* (restated — note 2)
Continuing operations	1 ¢	2 ¢
Loss from discontinued operations	(3)	(13)
Loss before extraordinary items	(2)	(11)
Extraordinary items	(18)	(12)
Net loss for the period	(20)¢	(23)¢

* The number of shares has been adjusted to give retroactive effect to the shares issued on amalgamation.

11. INCOME TAXES

One of the consolidated subsidiaries has accumulated losses of approximately $104,000 which are available to be carried forward for tax purposes to 1978 to be applied against such income, if any, as may be earned by it in those years

In addition certain of the corporations have accumulated balances ($570,000) available to be claimed for tax purposes (mainly capital cost allowances) that represent amounts already charged against income in the accounts. These amounts are available to reduce taxable income of future years.

No recognition has been given in the consolidated statement of operations to the potential future tax saving resulting from the availability for tax purposes of the above amounts. Such future tax savings, if any, as result from the application of such amounts will be credited to income as extraordinary items in the years realized.

12. MATERIAL COMMITMENTS

(a) *Agreement to purchase shares of Bushnell Communications Limited*

The corporation has entered into an agreement dated October 5, 1973, as amended, to purchase a total of 894,802 common shares (approximately 52% of the outstanding common shares) of Bushnell Communications Limited ("Bushnell") from Western Broadcast Holdings Ltd. ("Western") for a consideration consisting of cash of $9,829,827, and an income debenture to Western for $2,250,000, for a total of $12,079,827 ($13.50 per Bushnell share).

It is anticipated that the cash will be provided as to $7,000,000 by bank borrowings, $2,500,000 through a rights offering, and the balance from internal sources. The agreement is subject to the approval of the Canadian Radio-Television Commission.

(b) *Application for cable licences*

The corporation is party to two applications for cable licences in Sudbury and Timmins which, if approved by the Canadian Radio-Television Commission, would involve capital expenditures of approximately $5,160,-000.

(c) *Lease obligations*

The corporation is committed under a lease for premises formerly occupied by a subsidiary with an annual rental of $18,400 to 1981.

Minimum current lease commitments for occupied premises aggregate $80,000 under various leases with terms to 1982.

Leases and agreements for rental of distribution facilities currently aggregate approximately $56,000 per annum.

13. STATUTORY INFORMATION

Remuneration of directors and senior officers for the five months ended August 31, 1973 amounted to $90,824.

AUDITORS' REPORT

To the Shareholders of
IWC Communications Limited:

We have examined the consolidated balance sheet of IWC Communications Limited (the corporation resulting from the amalgamation of IWC Communications Limited and Slaight Broadcasting Limited — see note 1) and its consolidated subsidiary corporations as at August 31, 1973 and the consolidated statements of operations, retained earnings and source and application of funds for the five months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporations as at August 31, 1973 and the results of their operations and the source and application of their funds for the five months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures shown for March 31, 1973 and for the year then ended have been prepared by combining, in the manner referred to in note 2, the consolidated financial statements of IWC Communications Limited (which were examined by other Chartered Accountants) and Slaight Broadcasting Limited (which were examined by us).

CLARKSON, GORDON & CO.

Toronto, Canada,
January 18, 1974.

Chartered Accountants